

Saudi-Arabia

Capital: Kuwait City
Population: 2,390,543 (2007 estimate)
GDP:* US\$138.6 billion (2007 estimate)
Currency: Kuwaiti dinar
Language: Kuwaiti



Summary

Saudi Arabia is the largest country in the Middle East in terms of population and has the largest overall vehicle market. The strength of Saudi Economy and continued population growth in recent years led to 4% yearly growth in the number of all types of vehicles imported into the Kingdom of Saudi Arabia. Every household has on an average, 1 passenger vehicle. This is true across urban, provincial, and rural Saudi Arabia. Sedans are the most popular passenger vehicles (75%) followed by 4 wheel drive (4X4s) vehicles (20%) with ownership of 4X4s higher in rural areas (27% own a 4X4). The average age of vehicles is 6.4 years with 42% of vehicles manufactured in 2001 or later. Larger local households own American brands, while relatively smaller local households buy European brands. People with lower education levels and incomes buy Korean brands. More than 340,000 cars, trucks and vans are annually imported into Saudi Arabia, including used cars and buses.

Current Market Trends

The economic recovery, which started a few years ago, will likely boost the demand to around 360,000 units, valued at \$6.3 billion.

Saudi Arabia has a large secondhand market. The market for second-hand vehicles is largely sourced from the United States and to a lesser extent from Germany. Demand for second-hand vehicles has been shrinking annually by an average four percent due to the availability of financing and leasing options and a higher purchasing power. Currently, industry sources estimate that close to 70,000 units are being imported every year but expect that figure to come down to 50,000, especially for passenger cars and SUVs. For used cars, the United States and Germany still lead in used car sales to Saudi Arabia, while Japan retains a relatively good share of this market. GM, Ford, and Chrysler's Jeep brands are among the most popular vehicles in Saudi Arabia.

The strength of the Saudi economy, reflected in a higher per capita income, led to the increasing popularity of luxury cars and premium automobiles. In addition, Saudis have always opted for large SUVs that can accommodate large families. The market for GMC Suburbans and similar sized SUVs has remained relatively unaffected by the fluctuations in the economy.

Main Competitors

Over the years, U.S. manufacturers have witnessed their market share steadily eroding to Japanese and South Korean car manufacturers, especially Japanese companies, which have consistently enhanced their share of the Saudi automotive market, especially for passenger cars. New vehicles - Japanese brands account for two-thirds of the new vehicle market, Toyota alone has a 40 percent market share. American brands account for less than a third of the market. Korean brands have been growing over time, while the share of European brands has been declining. Dammam is the only place where American brands close the gap with Japanese brands.

The higher value of the Euro and the Yen against the U.S. Dollar has little effect on the share of European and Japanese car sales, which control nearly 70 percent of the market. Japan, the U.S., Australia, Germany, and South Korea are the key players in the Saudi automotive market representing more than 90 percent of all vehicle imports.

U.S. companies command a leading position in the supply of transmission, steering, suspension, and braking components and parts. The favorable U.S. dollar exchange rate against the Euro and Japanese Yen is boosting the U.S. market share. Nonetheless, Japanese car manufacturers and spare parts suppliers still command the lion share of the Saudi market at more than 40 percent. There are a number of local factories that manufacture filters, radiators, and batteries, exhaust systems, and converters.

Current Demand

Saudis become more demanding and look for more passenger cars/vans safety and luxury features. They look for branded wheels, chrome plated wheels, screen monitors, DVD players, amplifiers, loud speakers, airbags, door beams, and anti lock breaking systems. Most of Saudis prefer to buy American cars specially the MPVs, SUVs, and Jeeps. The Coupes, Sports Cars, Roadsters, Grand Tourers, Super Cars and Convertibles, Chevrolet Lumina, Chrysler, Voyager, Ford, GMC Safari is dominant in the market.

Best Prospects:

There are good opportunities for U.S. companies in the following areas:

- Services Equipment
- Body and chassis parts
- Automobile transmissions and spare parts
- Auto oil, lubricants, and chemicals
- New & Used American Cars/Sedans
- Cars/vehicles accessories



Available Market Research

Saudi Arabia: Used Vehicle Market (Oct 2007)

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